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Sent: Saturday, October 22, 2005 5:41 AM
To: ATR-Real Estate Workshop
Subject: Competition / Ethics / Needed Improvements in Real Estate Practices.

I am an active California Realtor. NAR wants me to tell you that competition is alive and well within the real estate industry.

It is simple math. Competition is not alive and well - nor is independent logical ethics - within this industry. This industry is built on protecting the well established agents (old guard), from competition from the new comers offering honest American competition. Current legislation within the RESPA guidelines are guised as ethical practices for realtors. They have little to do with ethics, rather to the contrary. They call ethics, denying new people trying to start in the business with competitive rates offered through referral fees to grow their business legitimately and clearly lower customer rates - an ethical violation - "unless of course" it is a referral only from another good ol' boy realtor. That is anti-competitive prima facie. Any competitive practice within the real estate business primarily threatens the "here first" status quo. And those established power bases lobby and scrabble to protect their nest eggs, and the public and competition be damned.

This leadership model breaks the backbone of trust in our business community and with our views of political bodies which allow this type of ethical double standard to be supported by the law.

Let competition flourish in all industries, by allowing processes to be fair and open. Government should do nothing or very little that impacts consolidation of technologies' to improve tools and products for consumers. But government should always be involved with managing processes to moderate fair practices. Within the Real Estate markets the gold rush for the well established brokers and agents has been on for decades. Six percent is the standard commission held sacrosanct by the NAR, and coerced on to realtors working for large established companies. Notice that in the real estate market over the last several decades that has experience hyper home price inflation within the real estate markets, why should the 6 percent not be 3 or 4 percent to adjust properly, especially when selling over 1 million dollar properties. The new guard of realtors wants to help consumers, the old guard what's to take the consumer for all it can get - and that is fine, but allows improved competition to drive real competitive rates to fair to the consumers who are largely defrauded by an anti-competitive system today. Just review the RESPA laws - they are dumfounding - they are written as ethical laws, which is patently comical. Certainly not in any Ethics 101 class in the country could they clear a test for being ethical. For whom does it hurt or unethically impact to offer referral fees to encourage new business. No One: As the mark of an unethical act is that it takes unfair advantage of someone. Referrals do nothing of the sort, nor do they demonstrate any conflict of interests. They are for the most part "Protectionism" at is blatant worst. Denying referrals only hurts the consumers and removes as legitimate competitive tool that other industries find fair. That is unethical, by any third grade ethics class review.

Integrity has lost all meaning or found a new definition to those in real estate leadership. This is not to cast an absolute indictment on some good people trying to support their industry, to keep some balance and security in the industry, but it has gone beyond those goals. It is hurting consumers and protecting unfairly the old guard from those trying to offer sound business practices that benefit the consumer an even playing field. If any market needs competition - the real estate industry does, given the hyper-inflated home prices for decades now far exceeding CPI by a 1000% with rising interest rates and high home prices, we can stand to reduce the commissions to normal inflation balanced levels to grow the economy, and keep more people selling and buying.

Again I am an active realtor and when I see realtors not willing to show properties to clients if the property is only paying 2% to the buying agent. I think that is defrauding their clients. I can perhaps understand if no commission is paid, but the industry is got far too many truly unethical agents - too full of themselves, not focused enough on real service for customers.

The industry needs a real ethics wake-up. As the last real estate ethics class I completed was contrary to ethics, it was simply about anti-competitive practices with fellow agents, morphed as ethical practices. It has become apparent to me - no one is really quite in charge of this industry. The inmates have been allowed to run the institution a bit too long.

I do not want to see the pendulum swing precariously the other way and dismantle the security of the industry, but some balance and logic injected into the industry would we welcome by your organization.

Sincerely, Russ Otter

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